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Message Text

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65
ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 OES-03 AGR-05 STR-04

PA-01 PRS-01 USIA-06 AID-05 CIAE-00 EB-07 FRB-03

INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01

LAB-04 SIL-01 OMB-01 /073 W
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R 172050Z APR 75
FM AMEMBASSY SANTO DOMINGO
TO SECSTATE WASHDC 3436
INFO USDOC/WASHDC
AMEMBASSY PORT AU PRINCE

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PASS OPIC

E.O. 11652: N/A
TAGS: EFIN, EMIN, EGEN, DR
SUBJECT: GOVERNOR OF CENTRAL BANK SPEAKS ON DOMINICAN ECONOMY

REF: SD 0948

1. BEGIN UNCLASSIFIED: IN ANNUAL SPEECH BEFORE LOCAL AMERICAN CHAMBER OF COMMERCE APRIL 15, CENTRAL BANK GOVERNOR DIOGENES FERNANDEZ REVIEWED DOMINICAN ECONOMIC PERFORMANCE FOR 1974 AND PRIORITIES FOR 1975. FOLLOWING IS FROM HIS SPEECH.

2. IN 1974 DOMINICAN ECONOMY CONTINUED IMPRESSIVE GROWTH RATE DESPITE HIGH PETROLEUM PRICES WHICH GOVERNOR DESCRIBED AS QUOTE DRASTIC AND EXCESSIVE UNQUOTE AND BASIC CAUSE FOR $13.4 MILLION BALANCE OF PAYMENT DEFICIT IN 1974. HE CREDITED HIGHER PRICES FOR DOMINICAN EXPORTS AND GOOD PERFORMANCE LOCAL PRODUCTIVE SECTOR FOR OFFSETTING HIGH IMPORT PRICES. READ GDP GROWTH RATE IN 1974 OVER 1973 WAS 8.9 PERCENT WITH LAST FIVE-YEAR AVERAGE GROWTH RATE AT 10.6 PERCENT.
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3. HIGH RATE OF ECONOMIC GROWTH ACHIEVED DURING 1974 LED BY FOLLOWING SECTORS: CONSTRUCTION, 12.6 PERCENT; INDUSTRY, 11.2 PERCENT; MINING, 10.0 PERCENT; COMMERCE, 9.5 PERCENT; TRANSPORT, 7.2 PERCENT; COMMUNICATIONS, 9.2 PERCENT; ELECTRICITY, 6.5 PERCENT; AND AGRICULTURE, 3.3 PERCENT.

4. SUGAR PRODUCTION HAS DECLINED AS A PERCENT OF TOTAL AGRICULTURAL PRODUCTION FROM 28.2 PERCENT IN THE 1962-64 PERIOD TO 24.4 PERCENT IN 1972-74. GOVERNOR NOTED THAT CURRENT ECONOMY IS MORE DIVERSIFIED THAN BEFORE AND THAT THIS TREND WILL CONTINUE.

5. ON FISCAL SIDE GOVERNOR GAVE FIGURE OF $521.6 MILLION IN TOTAL RECEIPTS AND $512.6 MILLION IN TOTAL EXPENDITURES, LEAVING $9 MILLION SURPLUS FOR 1974.

6. DOMINICAN 1974 TRADE FIGURES SHOWED EXPORTS AT 44.2 PERCENT ABOVE 1973 BUT IMPORTS WERE UP 60.2 PERCENT. OIL IMPORT COSTS INCREASED 239 PERCENT, BUT HE ADMITTED THE DR QUOTE HAS BEEN ONE OF THE LEAST AFFECTED BY THE PRESENT WORLD CRISIS UNQUOTE.

7. MONETARY FIGURES USED BY GOVERNOR REVEALED THAT ALL TYPES COMMERCIAL BANK DEPOSITS WERE UP BY 41.6 PERCENT IN 1974 OVER 1973. ALL FINANCIAL SYSTEM DEPOSITS WERE UP 71 PERCENT. TOTAL BANK LOANS INCREASED BY 48 PERCENT AND MONEY SUPPLY EXPANDED BY 37.7 PERCENT.

8. FOR 1975, GOVERNOR EXPRESSED OPTIMISM THAT NEW AGRICULTURAL CREDIT POLICIES, CONTINUED EXPANSION OF TOURISM FACILITES, AND MINING SECTOR WILL CONTINUE TO IMPROVE DOMINICAN ECONOMIC PROGRESS AND DIVERSIFICATION.

9. DURING SPEECH, GOVERNOR DISPLAYED FIRST DORE GOLD-SILVER BAR FROM NEW ROSARIO MINING COMPLEX. NEXT WEEK DR EXPECTS TO SHIP FIRST DORE FOR REFINING, ABOUT 4000 OZ. OF GOLD AND 12,000 OZ. OF SILVER. FOR 1975 TOTAL GOLD-SILVER EXPORTS ARE ESTIMATED AT 240,000 OZ. GOLD AND 720,000 OZ. SILVER. FULL PRODUCTION OF 350,000 OZ. GOLD AND 1.5 MILLION OZ. OF SILVER EXPECTED IN 1976.

10. EMBASSY POUCHING COPIES OF SPEECH. END UNCLASSIFIED

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11. COMMENT: BEGIN L.O.U. MANY OF THE FIGURES ARE THE SAME AS THOSE GIVEN IN PRESIDENT BALAGUER'S SPEECH OF FEB 27. SEE REFTEL FOR EMBASSY'S ESTIMATES ON GROWTH IN REAL GNP, ETC. GOVERNOR FERNANDEZ'S STAR WAS ASSUMED BY SOME TO BE WANING AFTER THE FEB 27 SPEECH IN WHICH IT WAS ANNOUNCED THAT HE WAS BEING REPLACED AS CHAIRMAN OF THE MONETARY BOARD BY SECRETARY OF FINANCE SELIMAN. THE SPEECH CAUTIONED AGAINST UNWISE CHANGES IN POLICY AND CONS-TITUTED SOMETHING OF A DEFENSE OF FERNANDEZ'S SUCCESSFUL

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STEWARDSHIP OF THE DOMINICAN ECONOMY IN RECENT YEARS. EL CARIBE
HAS AN EDITORIAL GIVING QUITE FAVORABLE TREATMENT TO THE
SPEECH.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, SPEECHES, ANNUAL REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975SANTO01706
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750135-0872
From: SANTO DOMINGO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750441/aaaabmjm.tel
Line Count: 119
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 SD 0948
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 08 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 SEP 2003 by CunninFX>; APPROVED <09 SEP 2003 by GolinoFR>
Review Markings:

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US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GOVERNOR OF CENTRAL BANK SPEAKS ON DOMINICAN ECONOMY
TAGS: EFIN, EMIN, EGEN, DR, (FERNANDEZ, DIOGENES)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006